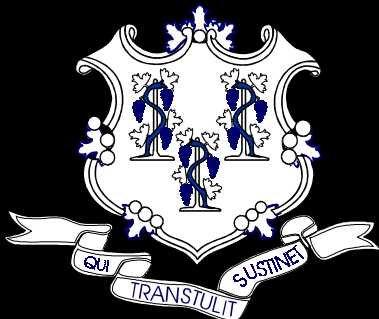


1998 FORM CT-1120S

This booklet
contains:

- Form CT-1120S
- Form CT-1120/
CT-1120S ATT
- Form CT-1120A
- Form CT-1120SK
- Form CT-1120I
- Form CT-1120S EXT
- Forms CT-1120 ESA, ESB,
ESC and ESD



Connecticut S Corporation Business Tax Return and Instructions

Dear Customer:

Connecticut recognizes the importance of its business community and continues to take significant steps to reduce the tax burden on Connecticut corporations. In 1998, and again in 1999, the amount of income of your S corporation that is subject to Connecticut corporation business tax has been reduced, in addition to a reduction in the overall corporation business tax rate. There are also many important tax law changes that address apportionment of income and tax credits. Be sure to read the summary of these changes beginning on Page 4 of this booklet.

Detailed information about Connecticut taxes is available on the DRS Web site (see address at bottom of page). However, our Taxpayer Services personnel are always ready to assist you with any aspect of Connecticut taxes or tax credits. The back cover of this booklet has a complete list of our regional locations, hours of service and phone and fax numbers.

Our goal at the Department of Revenue Services is to provide you with the highest quality service. We continue to win awards for our efforts to bring efficiency, integrity, and fairness to the State's tax programs. You can help us serve you better by writing me, or e-mail me through our Web site.

Sincerely,

Gene Gavin
Commissioner of Revenue Services

Taxpayer information is available on our Internet site:
<http://www.state.ct.us/drs>

Department of Revenue Services walk-in locations and telephone numbers are listed on the back cover.

CONN - TAX

If you have a touch-tone phone, you can obtain important income tax information 24 hours a day from CONN-TAX, the Department's information line. Call **1-800-382-9463** (in-state) or **860-297-5962** (anywhere), press "1" to be connected to "Income Tax Information Menu," then press "2" to select "Recorded Income Tax Information." Enter the three-digit number beside the topic of your choice.

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WHAT THIS BOOKLET CONTAINS

Read the instructions contained in this booklet carefully before preparing the *Connecticut S Corporation Business Tax Return*. This booklet contains information and instructions regarding the following forms:

Form CT-1120S, *Connecticut S Corporation Business Tax Return* is used to compute tax both on a net income basis and on a capital stock basis. Tax is paid on the basis that yields the higher tax. The minimum tax is \$250.

Form CT-1120/CT-1120S ATT, Schedule H, *Connecticut Apportioned Operating Loss Carryover* is used by an S corporation to compute the Connecticut operating loss carryover.

Form CT-1120A is used to compute the apportionment factors for the net income and the minimum tax base.

Form CT-1120SK is used to summarize a corporation's claim for available business tax credits.

Form CT-1120I is used to compute the interest due on underpayment of estimated tax.

Form CT-1120S EXT is the application that is required for obtaining an extension of time to file **Form CT-1120S**.

Forms CT-1120 ESA, ESB, ESC and ESD are used to file estimated corporation business tax installments for the 1998 income year.

For information on how to obtain forms or other information from the Department of Revenue Services refer to the back cover.

OTHER TAXES FOR WHICH THE CORPORATION MAY BE LIABLE

The information that follows is intended to be a general description of certain other Connecticut taxes for which a corporation may be liable. Failure to pay these or any taxes for which the corporation may be liable may subject the corporation and its officers to civil and criminal penalties.

To register for sales and use taxes and Connecticut income tax withholding as well as most other Connecticut taxes administered by the Department of Revenue Services, the corporation must complete **Form REG-1**, *Application for Tax Registration Number*. If the corporation already has a Connecticut tax registration number, additional taxes for which the corporation is liable may be added to the registration by contacting the Department's Registration Unit at 860-297-4885.

Connecticut Sales And Use Taxes

A corporation may be responsible for the filing of sales and use tax returns. Sales taxes are due if the company makes sales of taxable goods or services. Use taxes are due on the purchase of taxable goods or services from out-of-state retailers, or Connecticut retailers who have failed to collect the sales tax. Both taxes are reported on **Form OS-114**, *Sales and Use Tax Return*.

Connecticut Income Tax Withholding

Anyone who maintains an office or transacts business in Connecticut and who is considered an employer for federal income tax withholding purposes must withhold Connecticut income tax whether or not the payroll department is located in Connecticut.

Controlling Interest Transfer Taxes

Connecticut imposes a tax on the transfer of a controlling interest in an entity that owns an interest in Connecticut real property. This tax is reported on **Form AU-330**, *Controlling Interest Transfer Tax*.

DRS PROCEDURE STRICTLY ENFORCED FOR CORPORATION FILERS

The DRS considers any corporation business tax return that is filed without a complete copy of the federal income tax return, including all schedules and attachments, as filed with the Internal Revenue Service, to be incomplete. The corporation will be subject to a late filing penalty if the appropriate documentation is not attached to the S Corporation Business Tax Return and submitted by the due date.

1998 LEGISLATIVE CHANGES AFFECTING THE CORPORATION BUSINESS TAX

TAX RATE DECREASES

Conn. Gen. Stat. §12-214 (a)(1) specifies the effective dates and rate changes to the corporation business tax. Income years and corresponding rates are:

For Income Years Beginning On or After	But Before	Tax Rate
1/1/1997	1/1/1998	10.50%
1/1/1998	1/1/1999	9.50%
1/1/1999	1/1/2000	8.50%
1/1/2000	-	7.50%

S CORPORATION CHANGES:

CT-1120S DUE DATE

For income years beginning on or after January 1, 1998, the due date for filing the S Corporation Business Tax Return has been changed from the first day of the fourth month (April 1 for calendar year filers) to the fifteenth day of the fourth month following the end of the income year or April 15 for calendar year filers. (1998 Conn. Pub. Acts 244, §7)

NEW CT-1120S EXTENSION

For income years beginning on or after January 1, 1998, the due date for filing the application for extension of time to file (**Form CT-1120S EXT**) is changed from the first day of the fourth month (April 1 for calendar year filers) to the fifteenth day of the fourth month following the end of the income year or April 15 for calendar year filers. (1998 Conn. Pub. Acts 244, §7)

QUALIFIED SUBCHAPTER S SUBSIDIARY (QSSS)

For income years beginning on or after January 1, 1998, the assets, liabilities, and items of income, deduction and credit of a subsidiary of an S corporation that is a Qualified Subchapter S Subsidiary (QSSS), as defined in Internal Revenue Code §1361(b)(3)(B), are required to be combined with those of the parent S corporation in a single return. (1998 Conn. Pub. Acts 244, §5)

PHASEOUT OF S CORPORATION BUSINESS TAX

Conn. Gen. Stat. §12-217(c)(2) provides for the phaseout of the S corporation business tax by reducing the percentage of net income subject to tax for income years commencing on or after January 1, 1997. For income years beginning on or after January 1, 2001, S corporations will no longer be subject to the corporation business tax.

S corporation shareholders will pay personal income tax on the portion of their pro-rata share of nonseparately stated income as well as their Connecticut sourced portion of their pro rata share of separately stated income, that is not subject to the corporation business tax when filing **Form CT-1040**, **Form CT-1040NR/PY**, **Form CT-1120SI** or **Form CT-G**.

For Income Years Beginning On or After	But Before	Net Income Subject to Tax
1/1/1997	1/1/1998	90%
1/1/1998	1/1/1999	75%
1/1/1999	1/1/2000	55%
1/1/2000	1/1/2001	30%
1/1/2001	-	0%

NEW FIVE-YEAR COMBINED RETURN ELECTION

For income years beginning on or after January 1, 1998, corporations filing a Connecticut combined corporation business tax return must wait a total of five years (including years prior to 1998) before revoking their election to file a combined return. Similarly, corporations electing to file separate returns must wait five years before electing to be included in a combined return. (1998 Conn. Pub. Acts 244, §8)

CORPORATIONS ANNUALIZING ESTIMATED PAYMENTS

For income years beginning on or after January 1, 1999, corporations will be allowed to make quarterly estimated tax payments using an annualized method. (Conn. Gen. Stat. §12-242d, as amended by 1998 Conn. Pub. Acts 244, §9)

EXEMPTION FOR DOMESTIC INSURANCE COMPANIES

For income years beginning on or after January 1, 1999, domestic insurance companies are exempt from the Connecticut corporation business tax. (1998 Conn. Pub. Acts 110, §13)

EXEMPTION FOR NON-UNITED STATES CORPORATIONS TRADING FOR THEIR OWN ACCOUNT

For income years beginning on or after January 1, 1998, Non-United States corporations whose sole activity in Connecticut is the trading of stocks, securities and commodities for their own account are exempt from the Connecticut corporation business tax. (1998 Conn. Pub. Acts 244, as amended by 1998 Conn. Pub. Acts 1, §106 (June Spec. Sess.))

FINANCIAL SERVICE COMPANIES EXEMPT FROM MINIMUM TAX

For income years beginning on or after January 1, 1999, the minimum Connecticut corporation business tax will not apply to financial service companies. (Conn. Gen. Stat. §12-219, as amended by 1998 Conn. Pub. Acts 110, §19)

EXEMPTION FOR PASSIVE INVESTMENT COMPANIES (PICs)

For income years beginning on or after January 1, 1999, a corporation business tax exemption applies to a Connecticut passive investment company (PIC) created by a qualifying financial service company to hold and manage loans that are secured by real property. A PIC must maintain an office in Connecticut and employ at least five full-time equivalent employees. (1998 Conn. Pub. Acts 110, §12)

SPECIAL APPORTIONMENT AVAILABLE TO FINANCIAL SERVICE COMPANIES

For income years beginning on or after January 1, 1999, a qualifying financial service company is allowed to apportion its net income to Connecticut using a single factor gross receipts method in which the source of income is based on the billing address of the financial service company's customers. (1998 Conn. Pub. Acts 110, §11)

ADD-BACK OF INTANGIBLE PROPERTY COSTS AND INTEREST EXPENSES BETWEEN RELATED CORPORATIONS

For income years beginning on or after January 1, 1999, a corporation must add back to income otherwise deductible intangible property costs and interest expenses paid or incurred, directly or indirectly, in transactions with related corporations, unless it can demonstrate by clear and convincing evidence that such adjustments are unreasonable or it enters into an agreement with the Commissioner to use an alternate method of apportionment. (1998 Conn. Pub. Acts 110, §20)

DISALLOWANCE OF CREDITS

Effective for income years beginning on or after January 1, 1998, the Commissioner of Revenue Services may disallow a credit against the corporation business tax if the company has any outstanding taxes (including interest, penalties, or fees) due and unpaid to the state following a 30 day late period. (1997 Conn. Pub. Acts 193, §2)

DISALLOWED REFUND CLAIMS

Effective July 1, 1997, Conn. Gen. Stat. §12-225 allows taxpayers to appeal the disallowance of a refund claim pertaining to an Amended Corporation Business Tax Return to the Commissioner of Revenue Services. Previously, taxpayers were only allowed to appeal their disallowed claim to the Superior Court. (See also Conn. Gen. Stat. §12-226.)

1998 LEGISLATIVE CHANGES AFFECTING CONNECTICUT CORPORATION BUSINESS TAX CREDITS

The following information provides a brief description of the Connecticut corporation business tax credits. A more detailed description of each credit is available from the Department of Revenue Services by requesting **IP 95(2.1)**, *A Guide to Connecticut Corporation Business Tax Credits*.

NEW CREDITS

CREDIT FOR FIXED CAPITAL INVESTMENT

For income years beginning on or after January 1, 1998, a new corporation business tax credit for fixed capital investment is available for amounts paid or incurred by corporations, for any **new** tangible personal property that:

1. Has a class life of more than four years;
2. Is purchased from someone other than a related person;
3. Is not leased to another person within 12 months; and
4. Will be held and used in this state for a period of not less than five years.

(1997 Conn. Pub. Acts 295, §1)

Fixed capital does not include inventory, land, buildings or structures, or mobile transportation property. The percentages of credit allowed for amounts paid or incurred during the income year beginning January 1, 1998, through December 31, 2000, are:

For Income Years Beginning On or After	Credit Percentage
January 1, 1998	3%
January 1, 1999	4%
January 1, 2000	5%

Recapture Provisions: The fixed capital must be held and used in this state for a minimum of three years or the corporation will be required to recapture 100% of the credit on the following income year's Corporation Business Tax Return. If the corporation does not hold and use the fixed capital for at least five years, it will be required to recapture 50% of the credit on the following income year's Corporation Business Tax Return.

Additional Provisions:

1. The credit taken cannot exceed the corporation's tax liability.
2. Corporations claiming a tax credit for the fixed capital investment credit may not claim another corporation business tax credit against any tax with respect to the same expenditure.

Carryforward Provision: Any credit not used during the income year when the acquisition was made may be carried forward to the next five succeeding income years until the entire credit is used.

CREDIT FOR HUMAN CAPITAL INVESTMENT

For income years beginning on or after January 1, 1998, a new corporation business tax credit for human capital investment is available for amounts paid or incurred by corporations for:

1. In-state job training of persons employed in this state;
2. Work education programs in this state including, but not limited to, programs in public high schools and work education-diversified occupation programs;
3. In-state training and education of persons employed in this state provided by institutions of higher learning in this state;
4. Donations or capital contributions to institutions of higher learning in this state for technological improvements, including physical plant improvements;
5. Planning, site preparation, construction, renovation or acquisition of facilities in this state for the purpose of establishing a day care facility in this state; or
6. Child care subsidies paid to employees employed in this state.

(1997 Conn. Pub. Acts 295, §2)

The percentages of credit allowed for amounts paid or incurred beginning January 1, 1998, through December 31, 2000, are:

For Income Years Beginning On or After	Credit Percentage
January 1, 1998	3%
January 1, 1999	4%
January 1, 2000	5%

Additional Provisions:

1. The credit taken cannot exceed the amount of tax liability.
2. Corporations claiming a tax credit for the Human Capital Investment Credit cannot claim another corporation business tax credit against any tax with respect to the same expenditure.

Carryforward Provision: Any credit not used during the income year when the expenditure was made may be carried forward in the next five succeeding income years until the entire credit is used.

CREDIT FOR DISPLACED WORKERS HIRED BY ELECTRIC SUPPLIERS

For income years beginning on or after January 1, 1999, a new corporation business tax credit will be allowed to any electric supply company that hires a displaced worker who has been terminated as a direct result of electric industry restructuring. (1998 Conn. Pub. Acts 28, §47)

The available credit is \$1,500 for each displaced worker hired for at least six months.

CHANGES TO EXISTING CREDITS**REPEALED CREDITS FOR INCOME YEARS BEGINNING ON OR AFTER JANUARY 1, 1998:**

- Air Pollution Abatement Facilities (*Conn. Gen. Stat. §§12-217c; 12-258b; 12-265b*),
- Industrial Waste Treatment Expenditures (*Conn. Gen. Stat. §12-217d*),
- Work Education Credits for High School Students (*Conn. Gen. Stat. §12-217f*),
- Employee Training Credit (*Conn. Gen. Stat. §12-217k*),
- New Facilities Credit (*Conn. Gen. Stat. §12-217m*),
- Child Day Care Credits (*Conn. Gen. Stat. §§17b-740 through 742*).

Any corporation that has claimed any of the repealed credits may carry any remaining tax credit forward (if carryforward provisions apply).

NEIGHBORHOOD ASSISTANCE PROGRAM LIMITATION INCREASED

Effective January 1, 1998, Conn. Gen. Stat. §12-632 increases the amount of available funds for eligible businesses under the Neighborhood Assistance Program from \$3 million to \$4 million in any one fiscal year.

CLEAN ALTERNATIVE FUEL

Conn. Gen. Stat. §12-217i extends the Clean Alternative Fuel credit until January 1, 2000.

EMPLOYER ASSISTED HOUSING CREDIT

For income years beginning on or after January 1, 1998, if Connecticut Housing Finance Authority (CHFA) determines that 60% or more of a revolving loan has not been properly loaned, the business firm must recapture any credits previously taken. Interest will accrue on the amount recaptured at a rate of 1% per month from the original due date (not extended due date) to date of payment.

Any credit not used may be carried forward or backward for the five immediately preceding or succeeding income years.

ORDERING RULES FOR CLAIMING CORPORATION BUSINESS TAX CREDITS

For income years beginning on or after January 1, 1998, ordering rules have been established for corporations that claim more than one Connecticut corporation business tax credit. (1998 Conn. Pub. Acts 244, §10, as amended by 1998 Conn. Pub. Acts 261, §4). See *1998 Form CT-1120SK Instructions*, on page 14 for specific instructions.

S CORPORATIONS ELIGIBLE TO CLAIM CORPORATION BUSINESS TAX CREDITS

Conn. Gen. Stat. §12-217 provides that an S corporation is eligible for corporation business tax credits to the extent and in the same percentage that net income of the S corporation is subject to the corporation business tax. For the 1998 income year, 75% of the S corporation's net income is subject to the corporation business tax. Thus, the corporation may claim 75% of 1998 credits earned (including carryforwards). The remaining 25% may be carried forward or backward, if the credit so allows.

Corporations subject to the capital base tax or minimum tax are not affected by the phaseout and may use applicable credits in full.

RESEARCH AND EXPERIMENTAL INCREMENTAL EXPENDITURES CREDIT

For income years beginning on or after January 1, 2000, the 15-year credit carryforward that has been available only to biotechnology companies will be extended to all corporations.

RESEARCH AND DEVELOPMENT NONINCREMENTAL EXPENDITURES CREDIT

For income years beginning on or after January 1, 2000, Conn. Gen. Stat. §217n, as amended by 1998 Conn. Pub. Acts 110, §23, has added a provision to allow a 6% credit for research and development nonincremental expenditures incurred by qualified small businesses.

The credit is available to qualified small businesses that report gross income of \$100 million or less in the previous income year.

GENERAL INFORMATION

WHERE CAN I GET HELP?

The Department's Taxpayer Services Division can answer questions on completing your Connecticut tax return. Taxpayer Services may be reached from 8:00 a.m. to 5:00 p.m., Monday through Friday, by calling 1-800-382-9463 (in-state) or 860-297-5962 (anywhere). Telecommunications Device for the Deaf (TDD/TT) users only may call 860-297-4911.

Help is also available from 8:00 a.m. to 5:00 p.m., Monday through Friday, by visiting any of the Department's offices listed on the back cover of this booklet. If you visit, be sure to bring your **COMPLETED** federal Form 1120S, *US Income Tax Return for S Corporations*.

WHERE CAN I GET ADDITIONAL FORMS AND PUBLICATIONS?

You may obtain forms and publications 24 hours a day from the DRS Web site at <http://www.state.ct.us/drs> or through the Department's fax retrieval system by calling the DRS TAX-FAX at 860-297-5698 from the handset attached to your fax machine.

Most Connecticut post offices, banks, town halls, and public libraries have Connecticut income tax forms. Connecticut income tax forms and other tax forms may be obtained at any of the Department's offices, listed on the back cover.

Connecticut tax forms may also be obtained by writing to:

**Department of Revenue Services
Forms Unit
25 Sigourney Street
Hartford CT 06106-5032**

or by calling our Forms Unit at 860-297-4753 (anywhere) or 1-800-382-9463 (in-state) and choosing Option 2. Both numbers are available 24 hours a day.

WHO MUST FILE FORM CT-1120S?

Form CT-1120S, *Connecticut S Corporation Business Tax Return*, must be filed by every corporation that carries on business or has the right to carry on business in Connecticut and files with the Internal Revenue Service as an S corporation. Any S corporation dissolved or withdrawn from Connecticut is subject to the corporation business tax up to the date of dissolution or withdrawal.

IMPORTANT: In addition to filing **Form CT-1120S**, S corporations must **separately** file **Form CT-1120SI**, *Connecticut S Corporation Information and Composite Income Tax Return*, by the 15th day of the fourth month following the close of its taxable year (April 15 for calendar year filers).

Corporate limited partners in one or more investment partnerships that are otherwise not doing business in Connecticut are exempt from filing a Connecticut S Corporation Business Tax Return.

WHEN TO FILE FORM CT-1120S

You must file a return for a taxable period ending December 31 not later than April 15 of the following year, and, for any other taxable period, not later than the fifteenth day of the fourth month following the close of the taxable period. The return will be timely if the date shown by the US Post Office cancellation mark is on or before the due date of the return. If the due date falls on a Saturday, Sunday or legal holiday, the next business day is the due date. If the return is filed late, the corporation will be subject to penalties and interest.

HOW TO REQUEST AN EXTENSION

To get an extension of time to file the annual return, the S corporation must file **Form CT-1120S EXT**, *Application for Extension of Time To File S Corporation Business Tax Return*, not later than the fifteenth day of the fourth month following the close of the taxable period, together with payment of the total tax due. The timely filing of **Form CT-1120S EXT** will automatically extend the due date for six months.

Form CT-1120S EXT extends only the time to file the tax return, but it does not extend the time to pay the corporation business tax. Interest on any tax not paid by the original due date will be computed at the rate of 1% per month or fraction thereof.

Important: S corporations must use new **Form CT-1120S EXT**, *Application for Extension of Time to File S Corporation Business Tax Return*.

WHERE TO FILE

Please use the pre-addressed envelope enclosed with your return. Mail your return to:

**State of Connecticut
Department of Revenue Services
PO Box 150406
Hartford CT 06115-0406**

ACCOUNTING PERIOD AND METHOD OF ACCOUNTING

An S corporation's accounting period and method of accounting for Connecticut tax purposes must be the same as the S corporation's accounting period and method of accounting for federal tax purposes.

If an S corporation's accounting period or method of accounting is changed for federal tax purposes, the accounting period or method of accounting must also be changed for Connecticut tax purposes.

AMENDED RETURNS

Any corporation that fails to include items of income or deduction or makes any other error on a return must file an amended return using **Form CT-1120X, Amended Corporation Business Tax Return**. A copy of the amended federal Form 1120S must be attached to substantiate any changes to federal net income.

INTERNAL REVENUE SERVICE CHANGES

Corrections to ordinary income (loss) from trade or business activities by the Internal Revenue Service must be reported to the Commissioner of Revenue Services on or before the due date or extended due date of the next return or within 90 days after receipt of the notice of correction from the Internal Revenue Service, whichever is later. All federal adjustments must be reported using **Form CT-1120X**. An extension request for reporting federal audit changes must be submitted in writing to the Commissioner of Revenue Services setting forth the reason additional time is required.

ESTIMATED TAX REQUIREMENTS

Every S corporation carrying on or having the right to carry on business in Connecticut whose estimated current year's tax exceeds \$1,000 must file estimated tax payment coupons. Refer to General Instructions on **Forms CT-1120 ESA, ESB, ESC and ESD, Estimated Corporation Business Tax**. Four preprinted estimated tax payment coupons with instructions will be mailed to corporations that paid an estimated tax or whose Connecticut S corporation business tax liability exceeded \$1,000 in 1998. Corporations that do not receive preprinted estimated coupons should use, **Forms CT-1120 ESA, ESB, ESC, and ESD** and instructions which are included in the forms section of this booklet.

Effective for income years beginning on or after January 1, 1998, the estimated payments for the 1998 income year are the lesser of:

1st installment	30% of prior year's tax or 27% of current year's tax.
2nd installment	70% of prior year's tax or 63% of current year's tax.
3rd installment	80% of prior year's tax or 72% of current year's tax.
4th installment	100% of prior year's tax or 90% of current year's tax.

Effective for income years beginning on or after January 1, 1999, the estimated tax payments may be based on the applicable percentage of the current year's tax determined by annualizing net income or the minimum tax, in accordance with 1998 Conn. Pub. Acts 244, §9.

INTEREST AND PENALTY

Interest will be computed at the rate of 1% per month or fraction thereof from the due date of the return through the date of payment. Interest due on the underpayment of estimated tax is computed using **Form CT-1120I, Computation of Interest Due On Underpayment of Estimated Tax**.

Late payment penalty

The penalty for underpayment of tax is 10% (.10) of such amount due or \$50, whichever is greater.

Late filing penalty

In the event that no tax is due, the Commissioner of Revenue Services **may** impose a \$50 penalty for the late filing of any return or report that is required by law to be filed.

Willful failure to file or pay

Anyone who willfully fails to pay the tax or to file a return, will be fined up to \$1,000 or imprisoned up to one year, or both in addition to any other penalty.

Willful filing of a fraudulent or materially false return

If you willfully file a tax return you know to be fraudulent or false in any material matter, you may be fined up to \$5,000 or imprisoned from one to five years, or both.

WAIVER OF PENALTY

A corporation may be entitled to a waiver of penalty if the failure to file or pay tax was due to reasonable cause. Before a penalty waiver can be granted, a taxpayer must pay all tax and interest due. Interest on underpayments or late payments of tax cannot be waived. Requests for a penalty waiver must be in writing and contain a clear and complete explanation. Do not include the penalty waiver request with **Form CT-1120S**. Mail separately to:

**Department of Revenue Services
Penalty Review Committee
PO Box 5089
Hartford CT 06102-5089**

TAX CLEARANCE/TAX STATUS

Any request for tax clearance or tax status must be submitted in writing and must state the:

1. Name and address of taxpayer;
2. Connecticut tax registration number;
3. Reason for request; and
4. Tax types for which the tax clearance or tax status is being requested.

INSTRUCTIONS FOR FORM CT-1120S

Attach a completed copy of your federal corporation tax return to Form CT-1120S, including all schedules and attachments as filed with the Internal Revenue Service.

REQUIRED INFORMATION

Enter the beginning and ending dates of the S corporation's income year, regardless of whether the S corporation is a calendar year or fiscal year filer. Also enter the S corporation's Connecticut tax registration number, federal employer identification number, total assets, federal business activity code and gross receipts (net of returns and allowances) in the spaces provided at the top of **Form CT-1120S**.

NAME AND ADDRESS

Remove the preprinted label from the back of this booklet and place it over the name and address block of the return. Be sure the information on the label is correct. If you need to make any changes, draw a line through the incorrect information and clearly print the new information. Using the label reduces the possibility of error in processing your return.

Mail your request to:

**Department of Revenue Services
Audit Division
25 Sigourney Street
Hartford, CT 06106-5032**

Tax Status Requests

The Department will send information pertaining to tax status requests directly to the corporation's last known address as shown on the Department's records. In situations where anyone other than a corporate officer or director requests tax status information, the requester must include a completed **LGL-001**, *Power of Attorney*. (For information on how to obtain an **LGL-001** see *Where Can I Get Additional Forms and Publications?* on Page 8.)

If there is no preprinted label, print or type the information requested in the space provided at the top of **Form CT-1120S**. Be sure to enter the corporation's Connecticut tax registration number and federal employer identification number.

CHANGE OF ADDRESS/CLOSING MONTH

Indicate any change of address by checking off the mailing address box on **Form CT-1120S**, *S Corporation Business Tax Return*. Indicate any change to the end of your filing period by checking off the proper box and attaching an explanation of the change.

INITIAL OR FINAL RETURN

If this is the first time the S corporation is filing **Form CT-1120S**, check the **"Initial Return"** box.

If the S corporation is legally dissolved or withdrawn, check the **"Final Return"** box.

If the S corporation is filing for a short period, check the **"Short Period"** box along with the corresponding box providing the reason for the short period.

In the spaces provided enter the state in which the S corporation filed its Articles of Incorporation and the date of organization. If incorporated outside of Connecticut enter the date qualified to do business in Connecticut. An S corporation must enter the date it began business operations in Connecticut.

DISSOLUTION

To properly dissolve a domestic S corporation you must file a Certificate of Dissolution with the Connecticut Office of the Secretary of the State. A dissolved S corporation must file a return for the period up to the date of legal dissolution or the date of the final liquidation of assets, whichever is later.

Any dissolved corporation which continues to conduct business must file a Corporation Business Tax Return and pay any taxes due. If a corporation has been dissolved by forfeiture and wishes to be reinstated, it must submit a written request for a tax clearance to:

**Department of Revenue Services
Corporation Office Audit
25 Sigourney Street
Hartford CT 06106-5032**

The tax clearance and certificate of reinstatement must be filed with the Connecticut Office of the Secretary of the State.

WITHDRAWAL FROM STATE

A foreign S corporation that wishes to withdraw from Connecticut must file a written application for withdrawal with the Connecticut Office of the Secretary of the State. Any S corporation that has withdrawn must file a Connecticut **Form CT-1120S**, *S Corporation Business Tax Return*, up to the date of withdrawal and pay any taxes due.

MERGERS AND REORGANIZATIONS

A corporation that has merged must file a written application with the Connecticut Office of the Secretary of the State. Any corporation that has merged must file a Connecticut **Form CT-1120S**, *S Corporation Business Tax Return*, covering the period up to the date of merger and pay any tax due. For further information contact the Connecticut Office of Secretary of the State at 860-509-6000.

Any corporation that is reorganized must submit the details concerning the reorganization in writing and disclose the survivor's Connecticut tax registration number.

Send to:

**Department of Revenue Services
Operations Division
25 Sigourney Street
Hartford CT 06106-5032**

QSSS INFORMATION

If this return includes the assets, liabilities and items of income, deduction and credit of a subsidiary that is a Qualified Subchapter S Subsidiary (QSSS) as defined in Internal Revenue Code section 1361(b)(3)(B), then check the appropriate box. Attach a copy of the federal election form for each QSSS included in this return and a schedule listing the names and Connecticut Tax Registration Numbers of each QSSS.

If this corporation was included in a Connecticut Combined Corporation Business Tax Return in the prior year, refer to **Form CT-1120CR**, *Combined Corporation Business Tax Return*, for instructions on deleting the corporation from the combined return for the current year.

ATTACHMENTS TO BE FILED WITH THE RETURN

Attach a completed copy of the corporation's federal Form 1120S including all schedules and attachments used in arriving at ordinary income (loss) from trade or business activities. Remember to attach a copy of the federal QSSS election form for each QSSS included in this return.

FORM CT-1120S INSTRUCTIONS

COMPUTATION OF NET INCOME

Line 1 - Enter the ordinary income (loss) from federal Form 1120S, Line 21.

Line 2 - Enter the amount from **Form CT-1120S**, Schedule F, Line 8 (total unallowable deduction for S corporation business tax).

Line 3 - Add Lines 1 and 2 and enter total on Line 3.

SCHEDULE A - COMPUTATION OF TAX ON NET INCOME

An S corporation entitled to apportion its income must complete **Form CT-1120A**, *Corporation Business Tax Return Apportionment Computation*, Schedule Q or R, whichever is applicable, and carry the result to Schedule A, Line 2. An S corporation must not include separately stated items in the apportionment fraction on Schedule R. Special apportionment forms are applicable for certain businesses.

- Air carriers use **Form CT-1120A-A**, *Apportionment - Air Carriers*.
- Motor bus companies and motor carriers engaged in multistate business use **Form CT-1120A-BMC**, *Apportionment - Bus Companies and Motor Carriers*.
- S Corporations that receive income for services performed for regulated investment companies use **Form CT-1120A-IRIC**, *Corporation Business Tax Return Apportionment Computation - Income From Services to Regulated Investment Companies*.
- S Corporations that receive income from rendering securities brokerage services use **Form CT-1120A-SBC**, *Corporation Business Tax Return Apportionment Computation - Securities Brokerage Services*.
- S Corporations that derive income from credit card activities may elect to use **Form CT-1120A-CCA**, *Apportionment Computation of Income From Credit Card Activities*.
- If a corporation is a limited partner in one or more limited partnerships (other than an investment partnership) and is otherwise not carrying on or doing business in Connecticut, complete **Form CT-1120A-LP**, *Connecticut Distributive Share of Limited Partnership Income*.

Line 1 - Enter the net income from Line 3 above. An S corporation that may not apportion its income must also enter this amount on Schedule A, Line 3.

Line 2 - Enter the appropriate apportionment fraction from **Form CT-1120A**, Schedule Q, Line 2 or Schedule R, Line 6, Column C or from the appropriate apportionment forms previously referenced. The fraction must be expressed as a decimal and carried to 6 places.

Line 3 - Multiply Line 1 by Line 2 and enter the result on Line 3. If not entitled to apportion, enter the amount from Line 1.

Line 4 - Enter the amount of any unused losses from **Form CT-1120/CT-1120S ATT**, Schedule H, Line 6 attributable to Connecticut business operations as reported in years ending December 31, 1993 and thereafter.

Losses may be carried forward for five successive income years. Losses may not be carried back. The loss entered here is limited to the loss attributed to Connecticut according to the method of apportionment prescribed in Conn. Gen. Stat. §12-218.

Line 5 - Subtract Line 4 from Line 3 and enter the result on Line 5.

Line 6 - Multiply Line 5 by 75% (.75) and enter the result on Line 6.

Line 7 - Multiply Line 6 by 9.50% (.0950) and enter the result on Line 7.

SCHEDULE B - COMPUTATION OF MINIMUM TAX ON CAPITAL

Use Schedule B to compute the minimum tax on the capital of an S corporation pursuant to Conn. Gen. Stat. §12-219.

Line 1 - Enter the amount shown on **Form CT-1120S**, Schedule D, Line 6, Column C. An S corporation that does not apportion its minimum tax base must also enter this amount on **Form CT-1120S**, Schedule B, Line 3.

Line 2 - An S corporation entitled to apportion its minimum tax base must complete **Form CT-1120A**, and enter the apportionment fraction from **Form CT-1120A**, Schedule S, Line 3, Column C. The fraction must be expressed as a decimal carried to 6 places.

Line 3 - Multiply Line 1 by Line 2 and enter the result on Line 3. If not entitled to apportion, enter the amount from Line 1.

Line 4 - Enter the number of months the S corporation carried on business or had the right to carry on business in Connecticut, whichever is greater. A fractional part of a month is counted as a full month.

Line 5 - Multiply Line 3 by Line 4. Divide the result by 12 and enter the amount on Line 5.

Line 6 - Multiply Line 5 by 0.31% (.0031) and enter the result on Line 6. The maximum tax for Schedule B is \$1,000,000.

SCHEDULE C - COMPUTATION OF AMOUNT PAYABLE

Line 1 - Enter the amount from **Form CT-1120S**, Schedule A, Line 7, or **Form CT-1120S**, Schedule B, Line 6, or \$250, whichever is greater.

Line 2 - Enter the total tax credits from **Form CT-1120SK**, *S Corporation Business Tax Credit Summary*, Part III, Line 13, Column B.

Line 3 - Subtract Line 2 from Line 1 and enter the result on Line 3. If the result is negative, enter zero.

Line 4 - Enter on Lines 4a, 4b and 4c all prepayments you have made. Enter the total on Line 4.

Line 5 - Subtract Line 4 from Line 3 and enter the result on Line 5.

Line 6(a) - Enter penalty if applicable. (See *Interest and Penalty*, on Page 9.)

Line 6(b) - Enter interest due on tax not paid by the original due date. (See *Interest and Penalty*, on Page 9.)

Line 6(c) - Enter interest due on underpayment of estimated tax. (Complete and attach **Form CT-1120I**.)

Line 6 - Add Lines 6a, 6b and 6c and enter total on Line 6.

Line 7(a) - Enter the amount of overpayment to be credited to 1999 estimated tax.

Important: Overpayments are credited only as of the date of receipt of the completed **Form CT-1120S**.

Line 7(b) - Enter the amount of overpayment to be refunded.

Line 7 - Enter the sum of Lines 7(a) and 7(b).

Line 8 - Balance Due - Add Line 5 and Line 6 and enter the result on Line 8.

SCHEDULE D - COMPUTATION OF MINIMUM TAX BASE

Line 1 - Enter the beginning (Column A) and ending (Column B) values of the issued and outstanding capital stock including treasury stock at par or face value, fractional shares, scrip certificates and payments on subscriptions. (Refer to federal Form 1120S, Schedule L, Line 22.)

Line 2 - Enter the beginning (Column A) and ending (Column B) values of any paid-in or capital surplus, including retained earnings. Any deficit must be reported as a negative number. (Refer to federal Form 1120S, Schedule L, Lines 23 and 24.)

Line 3 - Enter the beginning (Column A) and ending (Column B) values of all surplus reserves (including deferred taxes). A reserve is an amount set aside or deducted from current or retained earnings for meeting future liabilities. Attach a schedule of all surplus reserves to support the amounts shown on Line 3.

Line 4 - Add Lines 1, 2 and 3 in both Column A and Column B. In Column C enter the average of Column A and Column B.

Line 5 - Enter the total holdings of stock from **Form CT-1120S**, Schedule E in Column A and Column B. Enter the average of Column A and Column B on Line 5, Column C.

Line 6 - Subtract Line 5, Column C from Line 4, Column C. Enter the result here and on **Form CT-1120S**, Schedule B, Line 1.

SCHEDULE E - HOLDINGS OF STOCK

List the beginning and ending book values of total holdings of stock of private corporations, including treasury stock. The total book value of shares must equal the amount claimed as a deduction on **Form CT-1120S**, Schedule D, Line 5. The book value of stock does not include the value of other assets acquired and held in connection with or incidental to the ownership of such stock. **Private corporations** means all non-governmental corporations, whether closely or publicly held.

SCHEDULE F - TAXES

Conn. Gen. Stat. §12-217 disallows any deduction for the Connecticut corporation business tax and any deduction for taxes imposed on or measured by income or profits by any state, political subdivision or the District of Columbia.

Line 1 - Enter all payroll taxes deducted in arriving at federal ordinary income (loss) from trade or business activities.

Line 2 - Enter all real property taxes deducted in arriving at federal ordinary income (loss) from trade or business activities.

Line 3 - Enter all personal property taxes deducted in arriving at federal ordinary income (loss) from trade or business activities.

Line 4 - Enter all sales and use taxes deducted in arriving at federal ordinary income (loss) from trade or business activities.

Line 5 - Enter any other taxes not based on income or profits deducted in arriving at federal ordinary income (loss) from trade or business activities.

Line 6 - Enter the amount of Connecticut corporation business tax deducted in the computation of federal ordinary income (loss) from trade or business activities.

Line 7 - Enter any corporate tax on or measured by income or profits imposed by any state (other than Connecticut), or political subdivision, or the District of Columbia, deducted in the computation of federal ordinary income (loss) from trade or business activities.

Line 8 - Add the amounts on Lines 6 and 7 in Column B and enter the result on Line 8. Enter also on **Form CT-1120S**, Computation of Net Income, Line 2.

SCHEDULE G - ADDITIONAL REQUIRED INFORMATION

Corporate Officers - Enter officers' names, complete home addresses and corporate titles.

Line 1 - If the principal place of business is located outside of Connecticut, enter the name of the state where it is located.

Line 2 - Enter the Connecticut towns in which the S corporation owned or leased (as lessee) real or tangible personal property or performed any services. Attach schedule if necessary.

Line 3a - If the S corporation transferred a controlling interest in an entity owning Connecticut real property, the S corporation (the transferor) is subject to the controlling interest transfer tax. Enter the name and federal employer identification number of the entity in which a controlling interest was transferred. The transferor is required to file **Form AU-330**, *Controlling Interest Transfer Taxes*.

Line 3b - If the S corporation owned Connecticut real property and was the entity in which a controlling interest was transferred, enter the name and federal employer identification number of the transferor. The transferor is subject to the controlling interest transfer tax.

The entity in which a controlling interest was transferred is required to file **Form AU-331**, *Controlling Interest Transfer Taxes Informational Return*.

Line 4 - Corrections to ordinary income (loss) from trade or business activities by the Internal Revenue Service must be reported on or before the due date or extended due date of the next return or within 90 days after receipt of the notice of correction from the Internal Revenue Service, whichever is later. All federal adjustments must be reported using **Form CT-1120X**.

SIGNATURE

The return must be signed by a duly authorized officer.

Anyone who is paid to prepare the return must sign the return and enter the preparer's federal employer identification number.

1998 FORM CT-1120SK INSTRUCTIONS

Corporation business tax credits must be applied in a specific order, where a corporation is eligible to claim more than one tax credit. In no event, however, shall any credit be claimed more than once. The order is as follows:

- (1) The Financial Institutions Credit must be applied before any and all other credits.
- (2) Any credit that may be carried back to a preceding income year must be applied after the Financial Institutions Credit, but before any other credits. Any credit carryback that will expire first must be claimed before any credit carryback that will expire later. If

the credit carrybacks will expire at the same time, credits must be taken in the order in which the corporation may receive the maximum benefit.

- (3) Any credit that may not be carried back to a preceding income year and that may not be carried forward to a succeeding income year must be claimed next, in the order in which the corporation may receive the maximum benefit.
- (4) Any credit that may be carried forward to a succeeding income year must be claimed next. Any credit carryforward that will expire first must be claimed before any credit carryforward that will

expire later. If the credit carryforwards will expire at the same time, credits must be taken in the order in which the corporation may receive the maximum benefit.

- (5) The Electronic Data Processing Equipment Property Tax Credit must be applied last, after any and all other credits have been applied.

Form CT-1120SK, *S Corporation Business Tax Credit Summary*, must be attached to **Form CT-1120S**, *S Corporation Business Tax Return*, when tax credits from the current income year are being claimed or when carryforward credit balances exist from 1997.

Additional information is available in the Department's publication **IP 95(2.1)**, *A Guide to Connecticut Corporation Business Tax Credits*. To order this publication, send a self addressed 9" x 12" envelope with \$1.43 postage affixed to:

**Department of Revenue Services
Mail Unit, Corporation Credit Guide
25 Sigourney Street
Hartford CT 06106-5032**

PART I-A - FINANCIAL INSTITUTIONS TAX CREDIT

Line 1 - Enter the credit for financial institutions constructing new facilities in Connecticut. The initial Certificate of Eligibility issued by the Department of Economic and Community Development (DECD) must be attached to and made a part of the tax return. Enter in Part I-A, Column A, the credit earned in 1998. S corporations computing tax based on net income (**Form CT-1120S**, Schedule A), multiply the amount in Column A by 75% (.75) and enter the result in Column B. S corporations computing tax based on capital (**Form CT-1120S**, Schedule B), and those subject to the minimum tax (\$250), enter the amount from Column A in Column B.

Enter in Column C the amount actually applied to the corporation business tax. Column C cannot exceed the amount from Part III, Line 2.

PART I-B - TAX CREDITS WITH CARRYBACK PROVISIONS

Enter in Part I-B, Lines 2 through 4, Column A, all of the credits that were earned in 1998 that have a carryback provision. The credits indicated here are applied to the current year's tax first. Any remaining balance may be claimed against a preceding year's tax by filing **Form CT-1120X** or the appropriate amended tax return. For credits that also have a carryforward provision, complete Part I-D.

S corporations computing tax based on net income (**Form CT-1120S**, Schedule A), multiply the amount in Column A by 75% (.75) and enter the result in Column B. S corporations computing tax based on capital (**Form CT-1120S**, Schedule B), and those subject to the minimum tax (\$250), enter the amount from Column A in Column B.

Enter in Column C the amount actually applied to the corporation business tax. Column C cannot exceed the amount from Part III, Line 4.

Enter in Column D the difference between the amount of credit claimed (Column A) and the amount applied in the current year (Column C).

Any credit balance that remains after applying the credits to the current year's tax may be carried back if the credit has not expired. The taxpayer must maintain a tax credit schedule for each credit item included in the carryback balance. The schedule must indicate the year in which the credit was originally claimed and the income years to which the credit was carried back.

Line 2 - Enter the Neighborhood Assistance Act (NAA) Credit computed according to the provisions of Conn. Gen. Stat. §§12-631 through 12-638. A copy of the NAA tax credit approval letter issued by the Department of Revenue Services must be attached to and made a part of the tax return.

Line 3 - Enter the Housing Program Contribution Credit computed according to the provisions of Conn. Gen. Stat. §8-395. A copy of the tax credit voucher issued by the Connecticut Housing Finance Authority (CHFA) must be attached to and made a part of the tax return. If you are claiming a carryforward, complete Part I-D.

Line 4 - Enter the Employer-Assisted Housing Credit computed according to the provisions of Conn. Gen. Stat. §12-217p. A copy of the Certificate of Compliance issued by CHFA must be attached to and made a part of the tax return. If you are claiming a carryforward, complete Part I-D.

Line 5 - Add Lines 2 through 4 in Column A, Column B, Column C, and Column D, and enter the totals in the spaces provided.

PART I-C - TAX CREDITS WITHOUT CARRYBACK OR CARRYFORWARD PROVISIONS

Enter in Part I-C, Lines 6 through 12, Column A all of the credits that were earned in 1998 that can only be applied to the current year's corporation business tax. S corporations computing tax based on net income (**Form**

CT-1120S, Schedule A), multiply the amount in Column A by 75% (.75) and enter the result in Column B.

S corporations computing tax based on capital (**Form CT-1120S**, Schedule B), and those subject to the minimum tax (\$250), enter the amount from Column A in Column B.

Enter in Column C the amount actually applied to the corporation business tax. Column C cannot exceed the amount from Part III, Line 6.

Line 6 - Enter the Apprenticeship Training Credit computed according to the provisions of Conn. Gen. Stat. §12-217g. Eligibility Certificate Form AT-45, issued by the Department of Labor, must be attached to and made a part of the tax return.

Line 7 - Enter the 25% Manufacturing Facility Credit as computed on **Form CT-1120MC**, *25% Manufacturing Facility Credit For Facilities Located in a Targeted Investment Community*. Form UT-4, Certificate of Eligibility, and Form UT-9, Claim for Corporation Business Tax Credit, both issued by the DECD, must also be attached to and made a part of the tax return.

Line 8 - Enter the 50% Manufacturing Facility Credit as computed on **Form CT-1120 MCEZ**, *50% Manufacturing Facility Credit For Facilities Located in an Enterprise Zone or Entertainment District*. Form UT-4, Certificate of Eligibility, and Form UT-9, Claim for Corporation Business Tax Credit, both issued by the DECD, must also be attached to and made a part of the tax return.

Line 9 - For corporations other than biotechnology companies, enter the Research and Experimental Expenditures Credit, as computed on **Form CT-1120RC**, *Research and Experimental Expenditures Credit*, Part I, Line 4.

Line 10 - Enter the credit for Research and Development Grants to Institutions of Higher Education, as computed on **Form CT-1120GC**, *Grant Credit*.

Line 11 - Enter the Machinery and Equipment Expenditures Credit, as computed on **Form CT-1120 MEC**, *Machinery and Equipment Expenditures Credit*.

Line 12 - Enter the credit for Traffic Reduction Programs computed according to the provisions of Conn. Gen. Stat. §12-217s. The Certificate of Eligibility issued by the Department of Transportation must be attached to and made a part of the tax return.

Line 13 - Add Lines 6 through 12 in Column A, Column B and Column C and enter the totals in the spaces provided.

PART I-D - TAX CREDITS WITH CARRYFORWARD PROVISIONS

This schedule enables a corporation to account for any credits with carryforward provisions that were earned in 1998 which are not applied to, or are in excess of, the 1998 Connecticut corporation business tax.

Enter in Part I-D, Lines 16 through 21, Column A all of the credits that were earned in 1998 that have a carryforward provision. S corporations computing tax based on net income (**Form CT-1120S**, Schedule A), multiply the amount in Column A by 75% (.75) and enter the result in Column B. S corporations computing tax based on capital (**Form CT-1120S**, Schedule B), and those subject to the minimum tax (\$250), enter the amount from Column A in Column B.

Enter in Column C the amount actually applied to the corporation business tax. Column C cannot exceed the amount from Part III, Line 10.

Enter in Column D the difference between the amount of credit claimed (Column A) and the amount applied in the current year (Column C).

Any credit balance that remains after applying the credits to the current year's tax may be carried forward if the credit has not expired. The taxpayer must maintain a tax credit schedule for each credit item included in the carryforward balance. The schedule must indicate the year in which the credit was originally claimed and the income years to which the credit was carried forward.

Line 14 - If you are claiming the Housing Program Contribution Credit, complete Part I-B, Line 3. Your carryforward amount for the Housing Program Contribution Credit is the unused amount from Part I-B, Line 3. A copy of the tax credit voucher issued by CHFA must be attached to and made a part of the tax return.

Line 15 - If you are claiming the Employer-Assisted Housing Credit, complete Part I-B, Line 4. Your carryforward amount for the Employer-Assisted Housing Credit is the unused amount from Part I-B, Line 4. A copy of the certificate of compliance issued by CHFA must be attached to and made a part of the tax return.

Line 16 - Enter the Opportunity Certificate Credit, as computed on **Form CT-1120 OC**, *Opportunity Certificate Credit*. A copy of the tax credit approval letter issued by the Department of Social Services must be attached to and made a part of the tax return.

Line 17 - Enter the total credit for Clean Alternative Fuel relating to vehicles, equipment and filling/recharging stations, as computed according to the provisions of Conn. Gen. Stat. §12-217i. Tax credits claimed under Conn.

Gen. Stat. §12-217i must be supported by schedules reflecting the details of the computations, including the dates on which expenses were paid or incurred.

Line 18 - For biotechnology companies only, enter the Research and Experimental Expenditures Credit, as computed on **Form CT-1120RC**, *Research and Experimental Expenditures Credit*, Part I, Line 4.

Line 19 - Enter the allowable Research and Development Credit as computed on **Form CT-1120 RDC**, *Research and Development Credit*, Part II, Line 7.

Line 20 - Enter the allowable Fixed Capital Investment Credit as computed on **Form CT-1120 FCIC**, *Fixed Capital Investment Credit*.

Line 21 - Enter the allowable Human Capital Investment Credit as computed on **Form CT-1120 HCIC**, *Human Capital Investment Credit*.

Line 22 - Add Lines 14 through 21 in Column A, Column B, Column C, and Column D and enter the totals in the spaces provided.

PART I-E - ELECTRONIC DATA PROCESSING EQUIPMENT PROPERTY TAX CREDIT

Line 23 - Enter on Line 23, the allowable Electronic Data Processing Equipment Property Tax Credit as computed on **Form CT-1120 EDPC**, *Electronic Data Processing Equipment Property Tax Credit*. Enter in Part I-E, Column A the credit earned in 1998. S corporations computing tax based on net income (**Form CT-1120S**, Schedule A), multiply the amount in Column A by 75% (.75) and enter the result in Column B. S corporations computing tax based on capital (**Form CT-1120S**, Schedule B), and those subject to the minimum tax (\$250), enter the amount from Column A in Column B.

Enter in Column C the amount actually applied to the corporation business tax. Column C cannot exceed the amount from Part III, Line 12.

Enter in Column D the difference between the amount of credit claimed (Column A) and the amount applied in the current year (Column C).

Any credit balance that remains after applying the credits to the current year's tax may be carried forward if the credit has not expired. The taxpayer must maintain a tax credit schedule for each credit item included in the carryforward balance. The schedule must indicate the year in which the credit was originally claimed and the income years to which the credit was carried forward.

PART II - CARRYFORWARD CREDITS FROM 1997 INCOME YEAR

This schedule enables a corporation to account for any credits that were earned in a preceding income year which were not applied to or were in excess of the 1997 Connecticut corporation business tax. These credits will be applied to the 1998 corporation business tax after first applying the credits calculated in Part I-A, Part I-B, and Part I-C. This schedule only lists credits which have a carryforward provision.

Enter in Part II, Lines 1 through 11, Column A, the total amount of carryforward credits from 1997.

S corporations computing tax based on net income (**Form CT-1120S**, Schedule A), multiply the amount in Column A by 75% (.75) and enter the result in Column B. S corporations computing tax based on capital (**Form CT-1120S**, Schedule B), and those subject to the minimum tax (\$250), enter the amount from Column A in Column B.

Enter in Column C the amount actually applied to the corporation business tax. Column C cannot exceed the amount from Part III, Line 8.

Any credit balance that remains after applying the credits to the current year's tax may be carried forward if the credit has not expired. The taxpayer must maintain a tax credit schedule for each credit item included in the carryforward balance. The schedule must indicate the year in which the credit was originally claimed and the income years to which the credit was carried forward.

Line 1 - Enter any available credit carryforward balance for Air Pollution Abatement Facilities. Credits may be carried forward for nine successive income years. A copy of the approval letter issued by the Department of Environmental Protection (DEP) or a copy of **CERT-117**, *Certificate For Purchases of Tangible Personal Property Incorporated into or Consumed in Air Pollution Control Facilities*, or both, must be attached to and made a part of the tax return.

Line 2 - Enter any available credit carryforward balance for Industrial Waste Treatment Facilities. Credits may be carried forward for four successive income years. A copy of the approval letter issued by the DEP or a copy of **CERT-124**, *Certificate For Purchases in Connection with Water Pollution Control Facilities*, or both, must be attached to and made a part of the tax return.

Line 3 - Enter any available credit carryforward balance for the NAA tax credit program for income years 1993 and 1994. Tax credits earned during income years 1993 and 1994 must first be carried back to the five preceding income years, and then carried forward to the five

succeeding income years. Carryforward provisions are no longer available for NAA tax credits issued after January 1, 1995. Beginning with the 1995 income year, NAA tax credits may only be carried back to the two preceding income years.

Line 4 - Enter any available credit carryforward balance for Child Day Care Subsidy, Facility and Program Education Credit. Credits may only be carried forward to the five succeeding income years.

Line 5 - Enter any available credit carryforward balance for Housing Program Contributions Credit (formerly Low and Moderate Income Housing). Credits must first be carried back to the five preceding income years, and then be carried forward to the five succeeding income years.

Line 6 - Enter any available credit carryforward balance for Clean Alternative Fuel relating to vehicles, equipment and filling or recharging stations under Conn. Gen. Stat. §12-217i. Credits may be carried forward for three succeeding income years.

Line 7 - Enter any available credit carryforward balance for Employer-Assisted Housing Credit. Credits must first be carried back to the five preceding income years and then be carried forward to the five succeeding income years.

Line 8 - Enter any available credit carryforward balance for Electronic Data Processing Equipment Property Tax Credit from 1997 **Form CT-1120 EDP**, Part II, Line 19.

Line 9 - Enter any available credit carryforward balance for Research and Development Credit from 1997 **Form CT-1120 RDC** Part IV, Line 25. All allowable credits from prior years must be carried forward and applied before the current year's credit may be taken. Any balance may be carried forward to each successive income year until the credit is fully taken.

Line 10 - This carryforward is available to biotechnology companies only. Enter any credit carryforward balance for Research and Experimental Expenditures Credit from 1997 **Form CT-1120 RC**, Part II, Line 7. Any unused credit balance can be carried forward and applied to each successive income year until the credit is fully taken. The maximum carryforward period is 15 years.

Line 11 - Enter any available credit carryforward balance for the Opportunity Certificate Credit from 1997 **Form CT-1120 OC**, Part II, Line 11. All allowable credits from prior years must be carried forward and applied before the current year's credit may be taken. Any balance may be carried forward to each successive income year for five years, until the credit is fully taken.

Line 12 - Add Lines 1 through 11 in Column A, Column B and Column C, and enter the totals in the spaces provided. Line 12, Column A is the corporation's credit carryforward balance from 1997 for all above credits. Line 12, Column B, is the amount of carryforward tax credit from 1997 allowed to be applied to the 1998 corporation business tax. Line 12, Column C, is the amount of credit actually applied to the 1998 corporation business tax.

Any credit balance that remains after applying the credits to the current year's tax may be carried forward if the credit has not expired. The taxpayer must maintain a tax credit schedule for each credit item included in the carryforward balance. The schedule must indicate the year in which the credit was originally claimed and the income years to which the credit was carried forward.

PART III - TAX CREDITS APPLIED TO THE S CORPORATION BUSINESS TAX

This schedule enables a corporation to apply credits earned from Part I and Part II against the 1998 S corporation business tax.

Line 1 - Enter the amount from **Form CT-1120S**, Schedule C, Line 1.

Line 2 - Enter the amount from **Form CT-1120SK**, Part I-A, Line 1, Column B, in both columns. Do not exceed the amount on Line 1 above.

Line 3 - Subtract Line 2, Column A, from Line 1, Column A. Enter the result on Line 3.

Line 4 - Enter the amount from **Form CT-1120SK**, Part I-B, Line 5, Column B, in both columns. Do not exceed the amount on Line 3 above.

Line 5 - Subtract Line 4, Column A, from Line 3, Column A. Enter the result on Line 5.

Line 6 - Enter the amount from **Form CT-1120SK**, Part I-C, Line 13, Column B, in both columns. Do not exceed the amount on Line 5 above.

Line 7 - Subtract Line 6, Column A, from Line 5, Column A. Enter the result on Line 7.

Line 8 - Enter the amount from **Form CT-1120SK**, Part II, Line 12, Column B, in both columns. Do not exceed the amount on Line 7 above.

Line 9 - Subtract Line 8, Column A, from Line 7, Column A. Enter the result on Line 9.

Line 10 - Enter the amount from **Form CT-1120SK**, Part I-D, Line 22, Column B, in both columns. Do not exceed the amount on Line 9 above.

Line 11 - Subtract Line 10, Column A, from Line 9, Column A. Enter the result on Line 11.

Line 12 - Enter the amount from **Form CT-1120SK**, Part I-E, Line 23, Column B in both columns. Do not exceed the amount on Line 11 above.

Line 13 - Add Lines 2, 4, 6, 8, 10, and 12, Column B. Enter here and on Form CT-1120S, Schedule C, Line 2 and attach the 1998 **Form CT-1120SK**, *S Corporation Business Tax Credit Summary*.

OVERVIEW OF CONNECTICUT CORPORATION BUSINESS TAX CREDITS

The following information provides a brief description of the Connecticut corporation business tax credits. See **IP 95(2.1)**, *A Guide to Connecticut Corporation Business Tax Credits*, for a more detailed description of each credit.

APPRENTICESHIP TRAINING CREDIT IN MANUFACTURING, PLASTIC AND CONSTRUCTION TRADES

A credit is available to corporations that employ apprentices who are receiving manufacturing, plastic, and construction trades training. The credit is limited to qualifying apprenticeship programs and is based, in part, upon the number of work hours accrued by the apprentices.

Compute the credit for manufacturing and plastic trades training by multiplying by \$4 the total number of apprentice work hours during the first half of a two-year apprenticeship and the first three-quarters of a four-year apprenticeship in the income year for which the claim is made. The credit for manufacturing and plastic trades training may not exceed 50% of the actual wages paid to apprentices in the claim year or \$4,800 per apprenticeship, whichever is less. No carryforward or carryback is allowed.

Compute the credit for construction trades training by multiplying by \$2 the total number of apprentice work hours during the first half of a two-year apprenticeship and the first three-quarters of a four-year apprenticeship in the income year for which the claim is made. The credit for construction trades training may not exceed 50% of the actual wages paid to apprentices in the claim year or \$1,000, whichever is less. No carryforward or carryback is allowed.

For application information call the Department of Labor at 860-566-2450 and request Form AT-45. (*Conn. Gen. Stat. §12-217g*, and *Conn. Agencies Regs. §§12-217g-1 through 12-217g-10*)

ELECTRONIC DATA PROCESSING EQUIPMENT PROPERTY TAX CREDIT

A credit equivalent to 100% of the property tax owed and paid on electronic data processing (EDP) equipment during the tax year, may be applied against certain business taxes. EDP equipment is defined as computers, printers, peripheral computer equipment, bundled software and any computer-based equipment acting as a computer, as defined under §168 of the Internal Revenue Code of 1986. Credit carryforwards are allowable (after all other credits have first been applied) and may be taken for five succeeding income years.

Form CT-1120 EDPC must be attached to the Connecticut corporation business tax return. Direct inquiries to Department of Revenue Services (DRS), Taxpayer Services Division, at 1-800-382-9463 (in-state) or 860-297-5962 (anywhere). (*Conn. Gen. Stat. §12-217t*)

CLEAN ALTERNATIVE FUEL CREDITS (10% AND 50%) FOR VEHICLES, EQUIPMENT AND RELATED FILLING OR RECHARGING STATIONS

A credit of 10% is available for expenses paid or incurred for the incremental cost of purchasing a vehicle which is exclusively powered by a clean alternative fuel.

A credit of 50% is available for the amount spent directly on any of the following:

- The construction of any filling station or improvements to any existing filling station in order to provide compressed natural gas, liquefied petroleum gas or liquefied natural gas; or
- The purchase and installation of conversion equipment incorporated into or used in converting vehicles powered by any other fuel to either exclusive use of clean alternative fuel or dual use of such other fuel and a clean alternative fuel; or
- The purchase and installation of equipment incorporated into or used in a compressed natural gas, liquefied petroleum gas or liquefied natural gas filling station or electric recharging station for vehicles powered by clean alternative fuel.

Any credit not used in the current income year may be carried forward for three succeeding income years. No carryback is allowed. For additional information contact DRS, Taxpayer Services Division, at 1-800-382-9463 (in-state) or 860-297-5962 (anywhere). (*Conn. Gen. Stat. §12-217i* and **SN 93(15)**)

EMPLOYER-ASSISTED HOUSING TAX CREDIT

A credit is available for contributions made to revolving loan funds established to provide loans for housing located in Connecticut for employees who meet income eligibility limits. Each year the Connecticut Housing Finance Authority (CHFA) sets maximum household income limits based on property location and family size.

The credit is equal to the amount paid into a qualified revolving loan fund. A corporation's credit cannot exceed \$100,000 annually. Any tax credit not used in the period during which the investment was made may be carried forward or backward for the five immediately succeeding or preceding income years until the full credit has been used.

For income years beginning on or after January 1, 1998, if CHFA determines that 60% or more of a revolving loan has not been properly loaned, the business firm will be required to recapture the credits previously granted.

Applications can be obtained by calling the Tax Credit Unit of CHFA at 860-721-9501, Ext. 363. Applications should be submitted by November 1 for the following income year. (*Conn. Gen. Stat. §12-217p* and **SN 93(15)**)

FINANCIAL INSTITUTIONS CREDIT

A credit is available for financial institutions that build and occupy a facility of at least 900,000 sq. ft. and create and maintain new jobs in Connecticut. A qualifying financial institution may claim credits against its corporation business tax for up to 15 years. The amount of the credit ranges from 30% to 50%. No carryforward or carryback is allowed. To apply for the credit, financial institutions must submit a proposal to the Commissioner of Economic and Community Development. For additional information contact Department of Economic and Community Development (DECD) at 860-270-8050. (*Conn. Gen. Stat. §§12-217u* and *36-2*)

HOUSING PROGRAM CONTRIBUTION CREDIT

A credit is available for contributions to housing programs sponsored, developed or managed by a nonprofit organization as defined by Conn. Agencies Regs. §8-395-1(h), having as one of its purposes the construction, rehabilitation, ownership, or operation of housing for low and moderate income families. A tax credit voucher may be granted in an amount equal to 100% of the value of the contribution made; however, the annual minimum credit allowed to any corporation is \$250 and the annual maximum credit allowed to any corporation is \$50,000; the maximum credit allowed in the aggregate to all corporations is \$1,000,000.

The amount of tax credit that is not used in the income year for which the credit is issued must first be carried back to the five preceding income years (beginning with the earliest income year) before any unused balance may be carried forward to the five succeeding income years (beginning with the earliest income year).

For income years beginning on or after January 1, 1998, to be eligible for this credit, a housing program must be scheduled for completion within three years from the date of approval. If the program is not completed after three years, or if at any time the authority determines that a program is unlikely to be completed, CHFA may reclaim any remaining funds and reallocate such funds to another eligible program.

Application information can be obtained by calling CHFA at 860-721-9501, Ext. 231. Applications must be submitted between October 15 and November 15 annually. Applications are approved on a first-come, first-served basis. (*Conn. Gen. Stat. §8-395* and *Conn. Agencies Regs. §§8-395-1* through *8-395-10*)

50% MANUFACTURING FACILITY CREDIT FOR FACILITIES LOCATED IN AN ENTERPRISE ZONE OR ENTERTAINMENT DISTRICT

A credit is available of 50% of that portion of the Connecticut corporation business tax that is allocable to a manufacturing facility, as defined under Conn. Gen. Stat. §32-9p, which is located within a designated enterprise zone or designated entertainment district (provided the facility became eligible as a manufacturing or service facility after the designation of such zone). To be eligible for this 50% credit, the corporation must obtain certification from Department of Economic and Community Development (DECD) by establishing either that at least 150 full-time employees or 30% of the full-time positions directly attributable to the manufacturing facility were held by employees who were: (1) residents of such zone; or (2) residents of such municipality and eligible for training under the Federal Comprehensive Employment Training Act or any successor program. The credit may be taken in the first full income year following the year of certification by DECD and continues for the next nine years. If the manufacturing facility does not meet the job creation requirement or if it is located outside the designated enterprise zone or designated entertainment district but within a targeted investment community, the facility may be eligible for the 25% Manufacturing Facility Credit discussed below.

For application information call DECD at 860-270-8143 and request the Urban Jobs/Enterprise Zone Program questionnaire. (*Conn. Gen. Stat. §12-217e*)

25% MANUFACTURING FACILITY CREDIT FOR FACILITIES LOCATED IN A TARGETED INVESTMENT COMMUNITY

A manufacturing facility, as defined in Conn. Gen. Stat. §32-9p, which is either: (1) located in a designated enterprise zone or a designated entertainment zone but does not meet the job creation requirement for the 50% credit (discussed above) or (2) is located in a targeted investment community, may be eligible for a 25% credit. A 25% credit is applied against that portion of the Connecticut corporation business tax that is allocable to a manufacturing facility located within a targeted investment community. The corporation must obtain certification from Department of Economic and Community Development (DECD) that it has constructed, renovated, expanded or acquired a manufacturing facility within a targeted investment community. The credit may be taken in the first full income year following the year of certification by DECD and continues for the next nine years.

For application information call DECD at 860-270-8143 and request the Urban Jobs/Enterprise Zone Program questionnaire. (*Conn. Gen. Stat. §12-217e*)

CONNECTICUT INSURANCE REINVESTMENT FUND CREDIT

A credit is available for investments in Connecticut insurance companies made through a fund manager who is registered with the Insurance Commissioner.

The credit may be claimed only with respect to an insurance company that is incorporated in Connecticut, occupies a new facility in Connecticut and employs at least 25% of its total work force in new jobs. The credit is 10% of the amount invested and may be claimed no sooner than three years from the date of investment but not later than seven years after the date of investment. For years seven through ten, the credit increases to 20% of the amount invested.

Any tax credit not used in the income year for which it was allowed may be carried forward for the five immediately succeeding income years until the full credit has been allowed. No carryback is allowed. Application information can be obtained by calling DECD at 860-270-8039. (*Conn. Gen. Stat. §38a-88a*)

TRAFFIC REDUCTION PROGRAMS CREDIT

A credit equal to 50% of the amount spent for the direct costs of traffic reduction programs and services instituted to achieve the goals of the Federal Clean Air Act standards is available to corporations employing 100 or more people. No carryforward or carryback is allowed.

For application procedures call the Department of Transportation at 860-594-2844. (*Conn. Gen. Stat. §12-217s*)

MACHINERY AND EQUIPMENT EXPENDITURE CREDIT

This credit is based on a percentage of the incremental increase in expenditures for Connecticut machinery and equipment. The expenditures must exceed the amount spent in the prior income year. Qualifying expenditures include any expenditures for machinery and equipment acquired for and installed in a facility located in Connecticut. Machinery and equipment does not include automobiles or other property used for transportation.

A 5% credit applies if the corporation employs between 251 and 800 full-time employees. A 10% credit applies if the number of full-time employees is 250 or fewer. No carryforward or carryback is allowed.

A special allowance has been made for corporations whose income year (for federal purposes) began on the first day of January, February, March, April or May of 1995. Expenditures made by such corporations for machinery and equipment acquired for and installed in a Connecticut facility from January 1, 1995, through May 31, 1995, will be deemed to have been spent during the 1997 income year. Use **Form CT-1120 MEC** to claim these expenditures.

Direct inquiries to DRS, Taxpayer Services Division, 1-800-382-9463 (in-state) or 860-297-5962 (anywhere). (*Conn. Gen. Stat. §12-217o* and **SN 93(15)**)

SERVICE FACILITY CREDIT

A credit is available to service facilities located outside of an enterprise zone in a targeted investment community. The credit percentage varies from 15% to 50%, depending on the number of qualifying new employees occupying the service facility.

A "service facility" is any plant, building, or other real property improvement which is to be used by an establishment, as such terms are used in the Standard Industrial Classification Manual, provided the service facility is used for any of the specific enumerated purposes described in Conn. Gen. Stat. §32-9p)d). The service facility must show a strong performance in exporting goods and services as defined by the Commissioner of Economic and Community Development.

An eligibility certificate issued by DECD must be attached to the Connecticut Corporation Business Tax Return. For application information call Department of Economic and Community Development at 860-270-8143. (*Conn. Gen. Stat. §12-217e*)

OPPORTUNITY CERTIFICATE CREDIT PROGRAM

A credit is available to corporations that hire qualifying persons through an Opportunity Certificate Program that is administered by the Department of Social Services (DSS).

Corporations are entitled to claim a tax credit in the amount of \$125 for each full month that a qualified employee is employed. **Form CT-1120 OC** is used to calculate the credit. For additional information call DSS at 860-424-5547.

NEIGHBORHOOD ASSISTANCE PROGRAM CREDIT

Tax credits are available for up to 60% of a firm's contribution to community programs that have received both municipal and state approval. Corporations that contribute at least \$250 to one or more approved community programs may apply for the credit. Examples of approved programs include neighborhood assistance, job-training, education services, crime prevention, energy conservation and substance abuse prevention.

The amount of tax credit that is not taken during the income year in which the program proposal was approved may be carried back to the two immediately preceding income years (beginning with the earlier of such years).

For application information call DRS at 860-297-5687. Applications, in the form of pledges, are accepted annually between September 15 and October 1. (*Conn. Gen. Stat. §§12-631 through 12-638*, and *Conn. Agencies Regs. §§12-638-1 through 12-638-8*)

ENTERPRISE ZONE CREDIT FOR QUALIFYING NEW CORPORATIONS

This credit is available to new qualifying corporations only. A qualifying corporation is a corporation which is created in an enterprise zone on or after January 1, 1997 and which either:

1. Has 375 or more employees, at least 40% of whom:
 - Are residents of the enterprise zone or the municipality in which the enterprise zone is located; and
 - Qualify under the Job Training Partnership Act; or
2. Has fewer than 375 employees, at least 150 of whom:
 - Are residents of the enterprise zone or the municipality in which the enterprise zone is located; and
 - Qualify under the Job Training Partnership Act.

The credit amount is equal to 100% of the tax liability in years one through three and 50% in years four through ten. For application information call DECD at 860-270-8143. (*Conn. Gen. Stat. §12-217v*)

RESEARCH AND DEVELOPMENT GRANTS TO INSTITUTIONS OF HIGHER EDUCATION

A credit is available for 25% of the incremental increase in amounts spent by any corporation for any grant or combination of grants to an institution of higher education in Connecticut made for the purposes of research and development related to advancements in technology.

The credit is equal to 25% of the amount by which qualifying grants made in the current income year exceed the average qualifying grants made during the three preceding income years. No carryforward or carryback is allowed.

For additional information contact DRS, Taxpayer Services Division, at 1-800-382-9463 (in-state) or 860-297-5962 (anywhere). (*Conn. Gen. Stat. §12-217l*)

RESEARCH AND DEVELOPMENT NONINCREMENTAL EXPENDITURES CREDIT

A credit is available for research and development expenditures conducted in Connecticut that are paid or incurred for years beginning on or after January 1, 1993. Research and experimental costs are those that may be deducted under §174 of the Internal Revenue Code of 1986, as in effect on May 28, 1993 and basic research payments as defined under §41 of the Internal Revenue Code of 1986, as in effect on May 28, 1993. The research and development must be conducted in Connecticut. Credit percentages depend upon expenses paid or incurred:

Expense Amounts	Credit Percentage
\$50 million or less	1%
more than \$50 million but not more than \$100 million	\$500,000 + 2% over \$50,000,000
more than \$100 million but not more than \$200 million	\$1,500,000 + 4% over \$100,000,000
over \$200 million	\$5,500,000 + 6% over \$200,000,000

No more than one-third of the amount of the credit allowed for any income year may be included in the amount of the credit that may be taken in that income year.

Credits that are allowed but which exceed the amount that may be taken in an income year may be carried forward to each successive income year until such credits are fully taken. Credits must be taken in the order in which they were allowed.

Direct inquiries to DRS, Taxpayer Services Division, at 1-800-382-9463 (in-state) or 860-297-5962 (anywhere). (*Conn. Gen. Stat. §12-217n* and **SN 93(21)**)

RESEARCH AND DEVELOPMENT INCREMENTAL EXPENDITURE CREDIT

A credit is available for 20% of the incremental increase in research and development experimental expenditures conducted in Connecticut. Research and experimental expenditures are those that may be deducted under Internal Revenue Code §174. Only biotechnology companies may carry forward unused credits for 15 years. No carryback is allowed.

Complete **Form CT-1120RC** by multiplying the incremental amount spent on research and development conducted in Connecticut by 20%. Direct inquiries to DRS, Taxpayer Services Division, at 1-800-382-9463 (in-state) or 860-297-5962 (anywhere). (*Conn. Gen. Stat. §12-217j*, **SN 93(15)** and **SN 93(21)**)

HUMAN CAPITAL INVESTMENT CREDIT

A credit is available to corporations for amounts paid or incurred for the following types of *Human Capital Investments*:

- In-state job training of persons employed in Connecticut;
- Work education programs in this state which include, but are not limited to, programs in public high schools and work education-diversified occupation programs;
- In-state training and education of persons employed in this state provided by institutions of higher learning in Connecticut;
- Donations or capital contributions to institutions of higher learning in Connecticut;
- Planning, site preparation, construction, renovation or acquisition of facilities in this state for the purpose of establishing a day care facility in this state; or
- Child care subsidies paid to employees employed in this state.

Any credit not used during the income year when the expense was paid or incurred may be carried forward to the next five succeeding income years until the entire credit is used. No carryback is allowed. Use **Form CT-1120 HCIC**, *Human Capital Investment Credit*, to claim this credit. (See Page 6 for credit percentage allowed.) (1997 Conn. Pub. Acts 295, §2)

Direct inquiries to DRS, Taxpayer Services Division, at 1-800-382-9463 (in-state) or 860-297-5962 (anywhere).

FIXED CAPITAL INVESTMENT CREDIT

A credit is available for amounts paid or incurred for any new tangible personal property that meets all of the following criteria:

- Has a class life of more than four years;
- Is purchased from someone other than a related person;
- Is not leased to another person within 12 months; and
- Will be held and used in this state for a period of not less than five years.

Any credit not used during the income year when the expense was paid or incurred may be carried forward to the next five succeeding income years until the entire credit is used. No carryback is allowed. Use **Form CT-1120 FCIC**, *Fixed Capital Investment Credit*, to claim this credit. (See Page 5 for credit percentage allowed.) (1997 Conn. Pub. Acts 295, §1)

Direct inquiries to DRS, Taxpayer Services Division, at 1-800-382-9463 (in-state) or 860-297-5962 (anywhere).

CONNECTICUT TAX ASSISTANCE

FOR TAX INFORMATION

- Visit the DRS Website at:
<http://www.state.ct.us/drs>
- Call CONN-TAX:
1-800-382-9463 (in-state) or
1-860-297-5962 (anywhere)

Telecommunications Device for the Deaf (TDD/TT) users only, call 860-297-4911.

Personal Taxpayer Assistance is available during business hours listed at right. Extended hours will be offered January through April, call Conn-Tax or visit the Website for details.

- Write to:
Department of Revenue Services
Taxpayer Services Division
25 Sigourney Street
Hartford CT 06106-5032

FORMS AND PUBLICATIONS

May be obtained at any hour of the day seven days a week by using any of the following resources:

- Internet
Preview and download forms from the DRS Website (<http://www.state.ct.us/drs>);
- DRS TaxFax
Call 860-297-5698 from the handset attached to your fax machine;
- Telephone
From a touch-tone phone 24 hours a day call:
1-800-382-9463 (toll-free from within Connecticut) or
1-860-297-4753 (DRS Forms Unit) and select Option 2.

WALK-IN OFFICES

For free assistance or forms, visit our offices from 8:00 a.m. to 5:00 p.m. (Monday through Friday). For pre-recorded directions to DRS offices call CONN-TAX. If you require special accommodations, please advise the Department representative.

BRIDGEPORT

10 Middle Street
203-579-6251

HAMDEN *

2105 State Street
203-789-7516

HARTFORD

25 Sigourney Street
860-297-5962

NORWICH *

2 Cliff Street
860-889-2669

WATERBURY *

91 Schraffts Drive
203-596-4310

* These offices will be moving in 1999. To verify the address, please call before you visit.

For questions about federal taxes, contact the Internal Revenue Service (IRS) at 1-800-829-1040.
To order federal tax forms, call 1-800-829-3676.

DEPARTMENT OF REVENUE SERVICES MISSION STATEMENT

The Mission of the Connecticut Department of Revenue Services is to administer the tax laws of the State of Connecticut and collect the tax revenues in the most cost effective manner; achieve the highest level of voluntary compliance through accurate, efficient and courteous customer services; and perform in a manner which instills public confidence in the integrity and fairness of the state's tax programs.

State of Connecticut
Department of Revenue Services
25 Sigourney Street
Hartford CT 06106-5032

*Peel off label and place in the
address area on Form CT-1120S*